

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 RSC-01 XMB-04 OPIC-06

SP-02 CIEP-02 OMB-01 /059 W
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P R 031129Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 7859

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMCONSUL HONG KONG

AMEMBASSY PARIS

AMEMBASSY TOKYO

UNCLAS LONDON 01610

PASS TREASURY FOR UNDER SECRETARY BENNETT AND WIDMAN

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: INTERNATIONAL BANK LENDING

REF: STATE 22709; BENNETT-AMMERMAN DITCHLEY CONVERSATION

BEGIN SUMMARY: EMBASSY JUDGMENT IS THAT ON BASIS CURRENT INSTRUCTIONS, THERE COULD BE SPECULATION AS TO US MOTIVES. WE SUGGEST ALTERNATIVE, MORE CANDID WAY OF PROCEEDING. PLEASE ADVISE AGREEMENT AS SOON AS POSSIBLE. END SUMMARY

1. EMBASSY JUDGMENT IS THAT GIVEN UNREALISTIC STRICTURES IN REFTEL, APPROACH TO SELECTED MAJOR UK CLEARING BANKS ON THIS SUBJECT MAY GIVE RISE TO SPECULATION ABOUT US MOTIVES AND INTENT AND POSSIBLY GENERATE NEGATIVE REACTION AT BANK OF ENGLAND.

2. SPECIFIC STRICTURES THAT GIVE US DIFFICULTY ARE THOSE IN PARA 5 WHICH STATE APPROACH SHOULD NOT TAKE ON APPEAR-
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ANCE OF QUESTIONNAIRE AND NO QUESTIONS SHOULD BE ADDRESSED

TO BANKS IN WRITING; THIS ADMONITION IS THEN FOLLOWED BY 10 PARAGRAPHS OR SUBPARAGRAPHS OF DETAILED SPECIFIC TECHNICAL QUESTIONS THAT WASHINGTON WANTS ANSWERED. WE DON'T SEE HOW APPEARANCE OF QUESTIONNAIRE CAN BE AVOIDED IF DETAILED, SUBSTANTIVE RESPONSES ARE TO BE OBTAINED.

3. APPROACH EMBASSY JUDGES MOST LIKELY TO YIELD RESULTS IS ONE OF CANDOR, FIRST APPROACHING APPROPRIATE OFFICIALS IN BANK OF ENGLAND (BLUNDEN AND GALPIN), DISCUSSING PROJECT AND GETTING THEIR VIEWS (PARA 4 REFTEL) THEN SEEKING VIEWS OF 2 OR 3 MAJOR CLEARING BANKS, GIVING THEM RATIONALE IN FIRST 2 SENTENCES PARA 3 REFTEL AND WRITTEN COPY OF "CHECK LIST QUESTIONS" IN PARAS 5 TO 9, ASKING THEM TO RESPOND AS THEY WISH, AND OMITTING ANY THEY MIGHT NOT WISH TO COMMENT ON. WE WOULD MAKE APPROACH TO ESTABLISHED CONTACTS, IN CONFIDENCE, SAYING US TREASURY WOULD APPRECIATE EACH BANK'S VIEWS AND ASSISTANCE. GIVEN THEIR OPERATIONS IN US BELIEVE CANDID APPROACH ALONG THESE LINES HAS BEST CHANCE OF SUCCESS. QUESTIONS POSED CUT ACROSS AREAS OF RESPONSIBILITY IN MAJOR BANKS, AND VIEWS OF OFFICIALS IN MORE THAN ONE DEPARTMENT IN EACH MAY NEED TO BE OBTAINED. GIVEN HISTORY OF COOPERATION WITH US AUTHORITIES, I.E. GETTING ADVANCE UK BANK COMMENTS ON PROPOSED FED FOREIGN BANK REGULATION PROPOSALS, BELIEVE A STRAIGHTFORWARD APPROACH WITH WRITTEN CHECKLIST HAS GOOD CHANCE OF SUCCESS.

4. IN RETURN, WE ANTICIPATE RECEIVING QUESTIONS FROM CLEARING BANKS INCLUDING WILL INDIVIDUAL DATA OR BANK VIEWS BE HELD IN CONFIDENCE ONLY IN TREASURY, INTERNALLY IN US GOVERNMENT, EVENTUALLY USED IN TESTIMONY, ETC.?

5. ACTION REQUESTED: PLEASE REPLY BY PRIORITY CABLE. PENDING REPLY, WILL BEGIN ENQUIRY AT BANK OF ENGLAND.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL TRENDS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON01610
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750038-0632
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750278/aaaacsjz.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 22709, 75 BENNETT-AMMERMAN
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2003 by MarshK0>; APPROVED <20 JAN 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERNATIONAL BANK LENDING
TAGS: EFIN, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006